

## Briefs

**Livestock, Dairy, & Poultry****U.S. Poultry Exports Maintain Star Billing**

U.S. poultry producers currently receive the benefits of relatively low-cost feed and are increasingly significant players in global export markets. In 2001, broiler stocks tightened as production slowed and exports rose, whereas large stocks of whole turkeys have accumulated.

**Broilers.** Slow production growth thus far this year, in tandem with a strong export market, has lowered stocks and increased the prices of most broiler products. Broiler parts that are popular in foreign markets have seen the strongest price growth, while the price of products such as breast meat, which are sold primarily in the domestic market, have remained relatively steady.

This year's combination of slower production growth and a strong export market have had a noticeable effect on the level of broiler stocks in cold storage. Total cold storage supplies at the end of August were down 23 percent from the previous year. Stocks of whole birds declined the most—40 percent lower in August than in

the previous year—while broiler parts were reported down 22 percent.

With prices for many broiler products well above year-earlier levels, stocks of whole birds and parts much lower than a year earlier, and feed costs expected to remain low, broiler integrators have recently begun to increase their weekly chick placements. Over the 5-week period ending September 22, chick placements increased 2.8 percent from the same period a year ago. With this level of chick placement, broiler production in October through the middle of November is expected to average 2 to 3 percent higher than the previous year.

During the first quarter of 2001, a slowdown in production, an increase in export shipments, and a reduction in broiler stocks teamed together in a predictable upward price thrust. In September, the average price for broiler leg quarters was 34 cents a pound, 22 percent higher than a year earlier. This is an increase of 116 percent from its low in April 1999, following the *ruble's* devaluation in the wake

of Russia's economic collapse. Wing prices have also been strongly affected by the robust export market and lower domestic production. Between September 2000 and September 2001, wing prices rose by 58 percent to \$1.10 a pound.

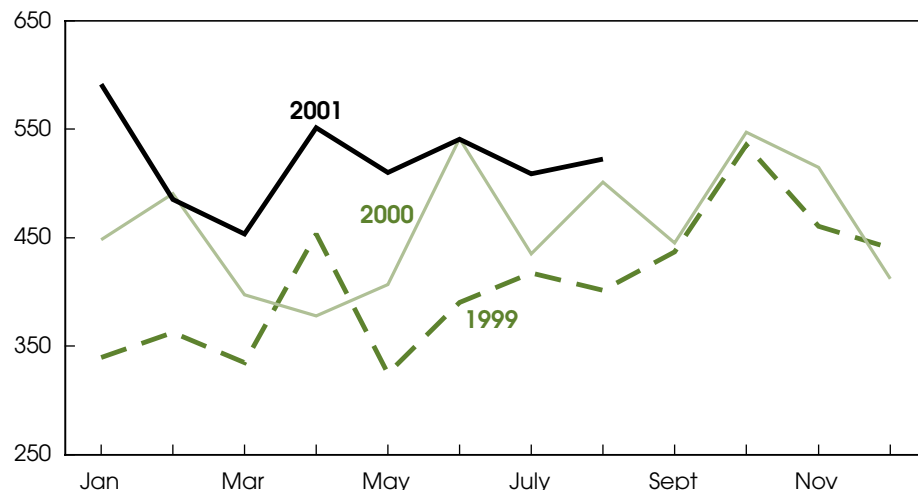
Banking on current prices for broiler parts, combined with lower stock levels and the expectation for continued low feed grain prices, broiler processors are expected to expand production to 31.8 billion pounds in 2002. These developments normally would spur the U.S. broiler industry to increase production more strongly, but concerns for domestic and foreign economic slowdowns will temper producers' optimism.

**Turkey.** Turkey production over the first 8 months of 2001 has totaled 3.7 billion pounds, 2.4 percent higher than the same period in 2000. The increase, chiefly the result of an increase in the average bird weight at slaughter, is expected to continue at about this rate during the second half of 2001.

Over the first 5 months of 2001, total frozen stocks of turkey were lower than the previous year's, as smaller holdings of turkey parts offset higher holdings of whole turkey. However, at the end of August, cold storage holdings were 3 percent higher than in the previous year with stocks of whole birds up 9 percent.

**U.S. Broiler Exports Hit 3-Year Monthly Peaks in 2001**

Million lbs.



Economic Research Service, USDA

These higher stocks of whole birds, combined with the higher turkey slaughter over the first 8 months of 2001, exerted downward pressure on whole bird prices. Wholesale whole-bird prices averaged 66 cents a pound in August, down 10 percent from the previous year.

The supply-and-demand scenario for turkey parts was somewhat different. While there is no breakout of the types of turkey parts held in cold storage, prices for a number of turkey parts have risen strongly during the past year. Prices for turkey drumsticks and wings in August were up 13 and 33 percent, respectively, from a year earlier. Turkey breast prices, on the other hand, declined 5 percent from the previous year.

## U.S. Poultry Sector Hatching Strong Sales In Russia, Mexico

Enormous strides in broiler exports during the last decade have linked the U.S. domestic industry to the fortunes of its major importing countries. In 2001, exports are expected to total almost 6.2 billion pounds, 20 percent of total domestic production. And, while the domestic turkey industry is not as dependent on exports as the broiler industry—in 2000, only 9 percent of domestic turkey production was exported—a substantial slowdown in exports would be expected to put downward pressure on turkey prices.

With a substantial percentage of total production moving into the export market, the U.S. broiler industry has become very sensitive to changes in export volume. Even though broiler exports go out to a large number of countries, changes in shipments to the two main markets—Russia and China—are especially important. During the first 7 months of 2001, broiler shipments to Russia and China totaled 2.2 billion pounds. The Russian total includes shipments to Latvia and Estonia, and exports to China include shipments to Hong Kong.

The largest factor in the growth of overall broiler exports has been the increase in shipments to Russia. Through July, shipments have totaled over 1.3 billion pounds, up over 100 percent from the previous year. This has more than offset the decline in exports to Latvia and Estonia. Shipments to countries such as Poland and Georgia have also been much higher. Closer to home, Mexico continues to be the third-largest U.S. market. However, exports have not increased to all countries; shipments to China are currently 2.4 percent below the previous year.

For 2002, broiler exports are forecast at 6.35 billion pounds, an increase of around 150 million pounds from the previous

year. Exports to Russia and its surrounding countries are expected to grow, as these countries have been less affected by the economic slowdown that has occurred elsewhere. Demand continues to flourish in Russia, where livestock production is still very low compared with levels achieved before devaluation of the *ruble*. Furthermore, broiler meat is still relatively less expensive and in greater supply than competing beef and pork products.

Turkey exports have also increased this year, in many ways mirroring the growth in broiler exports. Over the first 7 months of 2001, turkey exports totaled 272 million pounds, 14 percent more than in the same period in 2000. Most of the rise is from greater shipments to Russia and surrounding countries. Russia is the second largest market for U.S. turkey exports, with shipments totaling nearly 53 million pounds through July. Partially offsetting these increases, shipments to Mexico, by far the largest market, dropped 2 percent. The pace of turkey exports is expected to slow in the remainder of 2001 due to economic uncertainties throughout the globe.

The current forecast is for essentially no growth in U.S. turkey exports in 2002. The largest uncertainty lies with the Mexican market (54 percent of total U.S. turkey exports in 2000), where the economy is expected to weaken in response to a slowing U.S. economy. However, considerable turkey exports to Mexico are in the form of ground or mechanically deboned turkey meat that is combined with beef or pork products for sausage production. If the Mexican consumer responds to harder times by scaling back purchases of other meat products in favor of less expensive sausages, any negative impact on turkey exports may be tempered.

For 2002, the economic slowdown has cast doubt on production and export increases. While turkey production is forecast to reach 5.7 billion pounds in

2002—a 3.4-percent increase from the previous year. Exports are expected to be just under 500 million pounds in 2002, about even with 2001. **AO**

David Harvey (202) 694-5177  
djharvey@ers.usda.gov

**The rendering industry: how has it responded to the challenges of mad cow disease and foot-and-mouth disease?**

In an upcoming issue of *Agricultural Outlook*